



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: June 22, 2005 REPORT NO. RA-05-25
CMR-05-143

ATTENTION: Chair and Members of the Redevelopment Agency
Mayor and City Council
Docket of June 28, 2005

SUBJECT: Disposition and Development Agreement and Associated Actions for
the Auburn Park Apartments Project

REFERENCE: Executive Director's Report No. RA-05-10

SUMMARY

Issues – Should the City Council and Redevelopment Agency authorize the Executive Director to execute the Disposition and Development Agreement (Attachment 3) with Auburn Park Family Housing, L.L.C., authorize the executive director to make contingent offers for purchase of property, approve the findings of benefit (Attachment 7) and approve related actions for development of the Auburn Park Apartment Project?

Manager/Executive Director's Recommendation –

For the Agency:

- 1) Certify that the Mitigated Negative Declaration (No.43239) has been completed in compliance with the California Environmental Quality Act (CEQA) and State CEQA Guidelines and state for the record that they have been reviewed and considered prior to approving the actions. (Attachment 2)
- 2) Approve the Basic Concept Drawings.
- 3) Authorize the expenditure of funds for the Auburn Park Affordable Housing Project in an amount not-to-exceed \$8,511,178 (\$8,211,178 from the Centre City and \$300,000 from the City Heights Redevelopment Project Areas) as an Agency residual receipts loan contribution to the project.

- 4) Authorize the Executive Director or designee to execute a Disposition and Development Agreement with Auburn Park Family Housing, L.L.C. for the Auburn Park Affordable Housing Project.
- 5) Authorize the Executive Director or designee to make contingent offers for acquisition of properties for the Auburn Park Affordable Housing Project.
- 6) Authorize the Executive Director or designee to accept the conveyance of City land for the project.
- 7) Approve findings of benefit for the use of Centre City housing set-aside bond funds outside of the Centre City project area.

For the Council:

- 1) Certify that the Mitigated Negative Declaration (No.43239) has been prepared in compliance with CEQA and State CEQA Guidelines and state for the record that the MND has been reviewed and considered prior to approving any of the actions.
- 2) Consent to the Redevelopment Agency entering into the Disposition and Development Agreement for the Auburn Park Affordable Housing Project.
- 3) Authorize the City Manager or designee to convey land to the Redevelopment Agency for the Auburn Park Apartments project.
- 4) Amend the City budget to accept \$150,000 transfer from the Redevelopment Agency for the City land sale and allocate the funds into the Gas Tax fund.
- 5) Approve findings of benefit for the use of Centre City housing set-aside bond funds outside of the Centre City project area.

Other Recommendations –

- On May 20, 2005, the Agency NOFA Affordable Housing Executive Loan Committee reviewed the proposal and voted to recommend approval of the proposed \$8,511,178 (\$8,211,178 from the Centre City Redevelopment Project's housing set-aside bond fund and \$300,000 from the City Heights Redevelopment Project) of low and moderate income housing set-aside funds for 4% tax credits and MHP gap financing of the Auburn Park Apartments Project, contingent on Affirmed Housing Group applying for up to two (2) rounds of 9% tax credits and AHP funds and up to one (1) round of 4% tax credits and MHP funding in the event the initial funding applications are not successful.
- On April 18, 2005 the Affordable Housing Collaborative Review Team recommended approval of funds for the Auburn Park Affordable Housing Project in an amount not-to-exceed \$8,211,178 from the Centre City Project Area and \$300,000 from the City Heights Redevelopment Project Area as an Agency residual receipts loan contribution to the project.
- On March 1, 2005, the Agency approved the Housing Replacement Plan for this project.
- On May 2, 2005, the City Heights Area Planning Committee voted 10/3/1 to recommend against approval of the Disposition and Development Agreement (DDA) for this project.
- On April 27, 2005, the City Heights Project Area Committee (PAC) voted 8/6/0 to recommend to not approve the DDA for this project.

- On April 4, 2005 the City Heights Area Planning Committee voted 10-3 to recommend against approval of the project Planned Development Permit and related actions.
- On June 22, 2004 the Redevelopment Agency approved an Exclusive Negotiating Agreement with Affirmed Housing Group, a California Corporation (Developer) to develop up to 73 affordable housing units and a one-half acre park.
- On July 22, 2004 the Planning Commission unanimously approved the Community Plan Amendment Initiation for the project.
- In May, 2004 the Fox Canyon Homeowners Association voted to support and recommend approval of this project.
- On June 22, 2004 an elected representative of the Somalia Community spoke at the City Council meeting in support of this project.

Fiscal Impact – It is proposed that adequate Agency NOFA funding be provided to support either of the two alternative funding structures. One alternative would include Agency NOFA funding in addition to 4% tax credits, California Multiple Housing Program (MHP) funding and private loans. The other alternative would include Agency NOFA funding with 9% tax credits and private loans.

The amount needed if the project is structured as a 4% tax credit and MHP funded development is \$8,511,178. Agency funds are available from housing set-aside bonds of the Centre City Redevelopment Project Area (\$8,211,178) and the City Heights Redevelopment Project Area's low and moderate income housing set-aside funds (\$300,000). The funding commitment would be contingent on Affirmed Housing Group applying for up to two (2) rounds of 9% tax credits and AHP funds and up to one (1) round of 4% tax credits, with MHP and AHP funds. The 9% tax credits would lower the required Agency gap funding to \$6,472,355 with prevailing wages and to \$6,230,000 without prevailing wages being required. AHP would further lower the Agency NOFA funding commitment for both the 4% and 9% scenarios by approximately \$235,000, if awarded.

The Agency's estimated cost to acquire the site, relocate tenants and demolish existing structures is \$1,900,000. The remaining funds would be available for project gap funding during construction. The available remaining funds are estimated at \$6,736,178 for the 4% tax credits scenario, \$4,572,355 for the 9% tax credits with prevailing wages scenario, and \$4,330,000 for the 9% tax credits without prevailing wages scenario. Auburn Park Family Housing, L.L.C., has Purchase Agreements for all but one of the parcels on the project site. The Agency proposes to purchase those parcels through a proposed purchase and sale agreement with Auburn Park Affordable Family Housing, L.L.C. It is also proposed that the Agency assist the project by acquiring one (1) City owned parcel located in the footprint of the project. The established fair market price for this parcel is \$150,000 (see Attachment 4). The Agency will be responsible to relocate the existing tenants and demolish the existing building. The Agency will retain ownership of the site, but will not convey the acquired properties to Auburn Park Family Housing, L.L.C.

unless and until the developer meets all of the required conditions of the DDA and is prepared to proceed with construction of the project.

A further analysis of the project financing and conclusion justifying the Agency's contribution to the project are provided in the Re-Use Appraisal and 33433 Report (Attachment 5) prepared by CSG Advisors.

BACKGROUND

The proposed project is a 69-unit multifamily residential development, located in the Mid-City Communities Plan Area of City Heights on the southwest corner of University Avenue and 52nd Street. (see Attachment 1 for site map and elevation renderings). It should be noted that 20 of the 69 apartments will be three-bedroom units. The land area totals approximately 98,213 s.f. of blighted property that is primarily vacant and includes two existing dwelling units and a segment of the Auburn Creek drainage channel.

The site is currently comprised of 7 separate parcels plus excess City right-of-way left over from the previous realigning of University Avenue. The full development would include 69 rental units (67 units affordable to low and very low income families and 2 manager units); an office; a meeting room for resident services and neighborhood community meetings and gatherings; on-site parking in a subterranean parking garage; and a 25,000 s.f. park that will be available to the public, but will be developed, owned and maintained, with 24-hour security provided by the project. The restoration of the Auburn Branch of Chollas Creek located within the project boundaries will be completed in conformance with the Chollas Creek Enhancement Plan.

The developer currently has purchase options on 6 of the 7 parcels on the site and has received the required Ownership Disclosure Forms from the owners authorizing permission to initiate the permit planning process. There are 3 individual private property owners and the City owns one legal parcel. The developer has negotiated prices and is in escrow with two of the individual property owners. The remaining purchase contract expires on June 30, 2005. Appraisals prepared for the project site show estimated values consistent with the purchase offers.

It is proposed that the Agency would undertake the property acquisition following Agency approval of a DDA. The Agency would retain ownership until the developer obtains all necessary entitlements and outside funding. Staff followed the City Heights Redevelopment Project Owner Participation process by notifying all affected property owners with official notices sent out December 8, 2003 and March 10, 2004. No responses were received. The Housing Replacement Plan for this project was approved by the Redevelopment Agency on March 1, 2005. All replacement housing will be provided by the Project.

Phase I environmental reports have been prepared for the project site and they indicate no likely need for environmental cleanup. Universal Design features are part of the current design and have been incorporated into the overall plans for the site. A copy of the Universal Design Check list is attached (Attachment 8).

City design review has been completed and the project will be required to complete a Community Plan Amendment to be in compliance with land use designations and codes. A zoning change will also be required for the site. It is anticipated that the plan and code amendments, environmental review and entitlement processing will be completed during June, 2005.

The proposed project is in a favorable location due to the significant demand for additional affordable housing in the City Heights community and the site's close proximity to public and private services and amenities (i.e. bus service, Colina del Sol Community Park, daycare facilities). The Mary Lanyon Fay Elementary School, scheduled to open in 2006, is located within 2-blocks of the project.

DISCUSSION

The proposed project would add 69 new multi family housing units (67 affordable to low and very low income residents). The project would displace one existing duplex. The current community plan designation and zoning do not allow for strictly residential development. Community Plan and zoning amendments are proposed with this project to allow for the much needed additional affordable housing. The project will contribute to the reduction of blight and crime in the neighborhood and will provide a private park and meeting room. Both the park and meeting room will be available to the public. This project will provide a gain in the local affordable housing stock in an area of significant demand for family sized affordable housing.

It is proposed that the Agency use low and moderate income housing set-aside funds to acquire the site, relocate the tenants and demolish the existing structures immediately following Agency approval of the DDA. The estimated land/relocation/demolition cost is \$1,850,000. The Agency would retain ownership until the developer obtains all necessary entitlements, permits and outside funding and is ready to proceed with construction.

ALTERNATIVE

Do not approve the DDA, purchase and sale agreement, and related actions. This alternative would not allow the multi-family housing project to proceed.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director

Approved: Hank Cunningham
Assistant Executive Director

Approved: Ellen Oppenheim
Acting Deputy City Manager

CUNNINGHAM/RHK

Note: The attachments are not available in electronic format. A copy for review is available in the Office of the City Clerk.

- Attachments:
1. Site Plan and Concept Plan
 2. Mitigated Negative Declaration
 3. Disposition and Development Agreement
 4. READ memo on City parcel value
 5. Agency 33433 and Re-Use Appraisal Report prepared by CSG Advisors, Inc.
 6. Project Budget
 7. Findings of Benefit Summary
 8. Universal Design Checklist